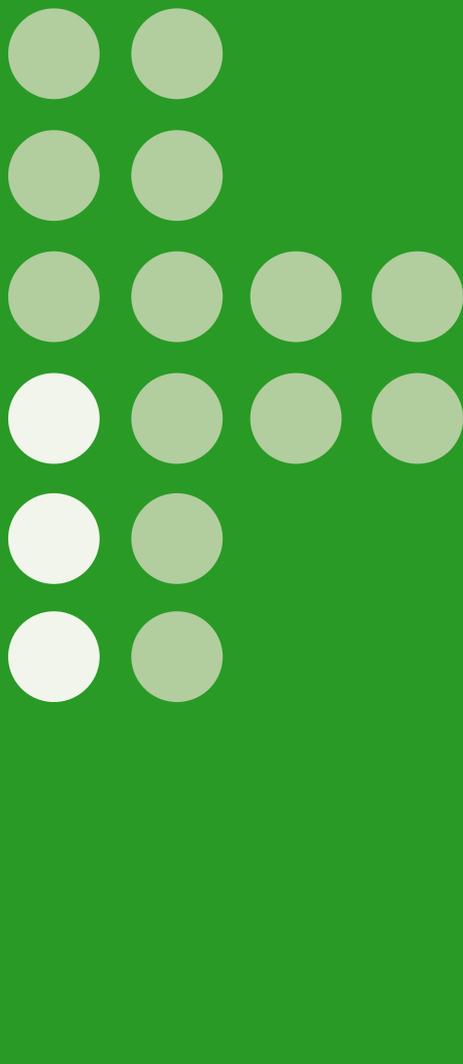


# Abano Healthcare Annual Report

2004



# ABANO AGED CARE



drive growth through identifying and meeting the demands of local communities, ensuring appropriate aged care options with a focus on quality of care

THE BUSINESS	THE MARKET
<ul style="list-style-type: none"> <li>• Abano Aged Care operates one brand in the aged care market - ElderCare New Zealand.</li> <li>• ElderCare operates 13 residential facilities in New Zealand, consisting of 740 beds, 69 independent retirement villas and 35 serviced apartments.</li> <li>• The business employs 634 staff.</li> </ul>	<ul style="list-style-type: none"> <li>• There are 30,459 licensed beds distributed between 853 facilities in NZ.</li> <li>• ElderCare New Zealand has 2.4 percent of the market.</li> <li>• Most facilities are privately owned or run by non-profit trusts, with three publicly listed companies holding six percent of the market.</li> <li>• The total market size for age related disability support services is \$843 million per annum.</li> </ul>

OUR AGED CARE FACILITIES	FACILITY	LOCATION	FULL TIME EQUIVALENTS	HOSPITAL BEDS	RESTHOME BEDS	DEMENTIA BEDS
		Cargill Home	Invercargill	16		40
	Eldon Lodge	Paraparaumu	43	46	24	23
	Elmswood	Tauranga	20		37	
	Gracelands	Hastings	51	38	40	
	Greenvalley Lodge	Glenfield, Akl	21		52	
	Lexham Gardens	Sandringham, Akl	19		46	
	Otumarama	Nelson	33	38	12	
	Riverview Lodge	New Plymouth	30	20	45	
	St Johns Wood Trust	Taupo	28	19	28	
	Takanini Lodge	Takanini, Akl	44	28	44	20
	Te Mana	Birkenhead, Akl	35	42	6	
	Westharbour Lodge	Westgate, Akl	19		40	
	Whitianga	Whitianga	28	37	15	
			<b>387</b>	<b>268</b>	<b>429</b>	<b>43</b>

FINANCIAL PERFORMANCE	\$ MILLION	1999/2000	2000/2001	2001/2002	2002/2003	2003/2004
	CORE REVENUE		18.8	21.6	22.8	23.3
EBITDA BEFORE NONCORE/UNUSUALS		3.8	3.8	4.0	4.7	3.7

## OBJECTIVES FOR 2003/2004

Complete expansion of 38 beds across the Group, taking bed numbers from 702 to 740.

Commence the upgrade of existing facilities to achieve higher overall quality standards and improve economies of scale.

Meet international quality improvement standards and achieve NZ Health and Disability Sector Standards (HADS) certification at all facilities.

Develop and implement Career Pathways programmes for registered nurses, enrolled nurses and household staff.

## RESULTS

- Added 18 beds at Whitianga Continuing Care with the construction of a new wing.
- Completed development of new 20-bed dementia facility at Takanini.

- \$1.2 million upgrade at Eldon Lodge underway, including new dementia wing.

- All facilities audited were certified with HADS and with ISO 9001:2000 for three years.

- Programmes created and successfully implemented at all facilities.

## ABANO AGED CARE CONT

### OPERATIONAL PERFORMANCE

Revenue for Abano Aged Care increased to \$24.1 million, up three percent on the previous year. This included a partial benefit from the upgrade and expansion of the Takanini and Whitianga facilities, which were completed during the year.

The Holidays Act and the signalled removal of asset testing both impacted on the financial performance of ElderCare in the year. The Holidays Act created an unbudgeted increase of over two percent per annum in wage costs for the sector. The Government's announcement that asset testing would be progressively removed from July 2005 saw rest home referrals decrease for most of the year, as clients postponed moving to an aged care facility. In addition, the Government's policy to only refer older and frailer clients into care facilities has had an effect on referrals. These changes impacted directly on the sector's Op-EBITDA, which was down from last year's record result, to \$3.7 million.

In the past twelve months, we have focused on extending, upgrading and improving facilities to generate increased economies of scale, provide a higher standard of care and meet the demand of local communities. Key investments for the year included the completion of the ISO 9001:2000 quality programme, Health and Disability Standards (HADS) certification and the continuation of the Promoting Independent Living initiative. After non recurring costs of approximately \$0.3 million, the business now has a recognised and reputable platform from which to move forward.

The Whitianga extensions were completed in August 2003 to provide the wider Mercury Bay Community with much needed beds. These are now all full. In addition, a new 20-bed dementia unit was completed in April 2004 at Takanini Lodge, and these new beds are filling quickly as demand is high for this specialised and secure unit.

Achieving ISO 9001:2000 accreditation and HADS certification has been a major focus for the financial year. Eleven out of our 13 facilities have been audited with outstanding results and are now certified for three years – the maximum given. The remaining facilities will be certified in the next six months.

Following the very successful implementation of our Career Pathways programme for caregivers, we have developed additional programmes for nurses and household staff. These were launched in March 2004 and are now running in all 13 of our facilities. The overall aim of the programmes is to reward, upskill, educate and retain staff, and attract the best candidates for jobs at ElderCare.

The Promoting Independent Living Study (PILs) is a major research initiative that has been conducted jointly with the University of Auckland, and carried out at three ElderCare rest homes. The outcomes in the study have been excellent, improving the quality of life for a number of residents and increasing occupancies at these homes due to this innovative approach. We are now rolling out this program to the rest of our facilities. The partnership with the University has expanded and ElderCare is now involved with research into caregivers in the workplace, and conference presentations.

### INCOME

Abano Aged Care derives 52 percent of its income from Government sources and 48 percent from private payment. Local DHBs are responsible for the funding of aged care. Residential care fees, excluding retirement village fees, are derived as follows:

LEVEL OF CARE	WEEKLY FEE DHB	WEEKLY FEE PRIVATE
Hospital	\$998-\$1057	N/A
Rest home	\$601-\$652	\$592-\$662
Dementia	\$760-\$780	N/A

## MARKET OVERVIEW

The demand for quality aged care solutions continues to grow due to an ageing population and the upcoming changes to the Government's asset testing policies, which will lower barriers to entry. In particular, there is a greater need for specialist residential care for older people (over 85 years of age) who are increasingly frail and require a higher level of medical input and care.

The aged care market is very fragmented and consists of a number of not-for-profit entities running one or more facilities; over 650 small private operators of one or two homes; and ten larger businesses which own networks of rest home and retirement facilities and represent around 25 percent of the market.

Many of the smaller players and not-for-profit operators are now exiting the industry due to high compliance costs, the growing need to invest significant funds in the upgrade of older facilities, and concern over funding levels.

Resident dependency is also increasing and the length of stay is shortening due to the Government's Health of Older People and Positive Ageing Strategies, which focus on community support options. Funding levels and a shortage of trained staff to meet the needs of more dependent residents are issues currently facing the aged care industry and being tackled by management of ElderCare.

## OUTLOOK

Abano Aged Care, through ElderCare, will continue to see an increasing demand for its services. The revenue mix will alter from 2005 as the Government initiative to lift the threshold for asset testing is implemented, with public funded income expected to rise from 52 percent to over 95 percent in the next one to two years.

ElderCare remains a committed provider in a market which is expected to grow by 28 percent in the next two years alone (MOH: April 2004). Economies of scale will become increasingly important in the years ahead, and the expansion and upgrade of existing facilities and services will remain a focus as we continuously improve our standards of care and service.

Our management teams have good relationships with local referral agencies and the new DHB funding bodies and will continue to build on these to secure long term, beneficial contracts for each facility and to ensure ElderCare is meeting the needs and demands of local communities.

ElderCare remains a competitive player in the market place and the size of the ElderCare network ensures that economies of scale can continue to be achieved across the operation. The expansion and upgrade of existing facilities and services will continue to be a focus for the next financial year as we continuously improve our standards of care and service through innovation and excellent management and clinical practice.



Craig Percy  
General Manager Aged Care



Diana Spratt-Casas  
Director of Nursing



Louise Bulkeley  
Education Co-ordinator

# ABANO DENTAL



extending our network of high quality professional dental care

THE BUSINESS	THE MARKET
<ul style="list-style-type: none"><li>• Abano Dental currently operates one brand in the dental market – Geddes Dental Group, which was acquired in November 2002.</li><li>• Geddes Dental Group is Australasia’s largest single ownership dental group and employs over 100 staff in eleven branches in Auckland and three mobile dental units.</li><li>• The majority of fee income is patient funded, except for Government funding for specific dental health initiatives.</li><li>• An average of 350 patients per day are seen by one of Abano Dental’s 31 dentists.</li></ul>	<ul style="list-style-type: none"><li>• The New Zealand dental market is worth approximately \$360 million, including the Government’s school dental service and specialist dentistry.</li><li>• There are 1,600 registered dentists in New Zealand, with 540 dentists in the Auckland area.</li><li>• Abano Dental has approximately 11.5 percent of the general dentistry market in Auckland.</li></ul>

OUR FACILITIES	BRANCH	DENTISTS	DENTAL ASSISTANTS	CLINICAL TECHNICIAN	HYGIENIST	SUPPORT STAFF
	Takapuna	5	5.2	0.8	0.7	2
	New Lynn	3	3	0.6		2
	Newmarket	2	2	0.5	0.3	1
	Panmure	2	2	0.5		1
	Manukau	2	2			1
	Red Beach	2	2	0.2		1
	Papakura	2	2	0.5		1
	Henderson	2	2	0.4		1
	Mt Roskill	3	3	0.5		1
	Howick	1	1			1
	Mobile 1	2	2			
	Mobile 2	2	2			
	Mobile 3	2	2			
	University of Auckland	1	1			
	Head office					11
		31	31	4	1	25

FINANCIAL PERFORMANCE	\$ MILLION	1999/2000	2000/2001	2001/2002	2002/2003	2003/2004
	CORE REVENUE	N/A	N/A	N/A	4.5	8.3
	EBITDA BEFORE NONCORE/UNUSUALS	N/A	N/A	N/A	(0.2)	0.1

## OBJECTIVES FOR 2003/2004

## RESULTS

Improve infrastructure of Abano Dental through installation of stable and efficient computer hardware and software systems.

- All branches and head office on Wide Area Network.
- Software of Excellence database and patient management system fully installed and operational.
- Integrated financial and operational systems with Abano Healthcare Group.

Improve focus on patient retention and relationship building.

- 95 percent positive feedback from 700 patient questionnaires completed between September and January 2004.
- 90 percent of patients receiving recall phone calls and/or notices.

Increase revenue per dentist per day by eight percent.

- Revenue per dentist per day improved by 11 percent.

Improve communication with branch staff.

- All staff on email across WAN.
- Improved management support to branches.
- Regular staff meetings established.

## ABANO DENTAL CONT

### OPERATIONAL PERFORMANCE

Following the successful merger of Geddes Dental Group into Abano Healthcare in 2002/03, a number of operational efficiencies were introduced, which led to the sector reporting revenue of \$8.3 million, with an Op-EBITDA of \$0.1 million. A significant investment has been made in the past year on strengthening the infrastructure of the sector, with the implementation of a software database and customer management system, new financial and human resource systems and facility upgrades.

A new one-chair branch was opened on the University of Auckland campus in June 2003, to provide services to staff and students. This branch is doing well, and is fully booked most days. The number of dental chairs was increased at two branches, and the three mobile dental units were fully commissioned, with adolescent dental contracts extended.

Following the retirement of Keith Pine, a new management team was established, with Robin Cooper appointed as acting general manager and Gale Wieland as operations and marketing manager. Since year end, Frank Janssen has been appointed as the new general manager of Abano Dental, taking over from Robin Cooper who retires at the end of her contract.

A high focus was placed on providing a fully supportive Continuing Medical Education environment for our clinical Dentists, Dental Assistants and Technicians, including a one day training session provided by a specialist brought over from Australia, specifically for Abano Dental. The result is a more productive environment and an expanded and broader service offering to clients.

Many clients reported in questionnaire responses that they would like extensive dental treatment but do not have the money readily available. Finance services have been introduced in association with Pacific Retail Finance, so that patients can pay off expensive treatment over time. Ninety-five patients have taken up this service and more than \$159,000 has been financed through Pacific Retail Finance during the year. The number of patients using this service is growing.

In the course of the year, we recognised that the small Australian operation was not able to be serviced and supported from our Auckland based office and a decision was taken to close the last remaining surgery, with the redundancy of the last three staff. The closure and exit cost of \$0.33 million has been taken up in this period.

### INCOME

Currently, 78 percent of fee income is derived from private payment and 22 percent from public funding for specific Government dental health initiatives. Local DHBs are responsible for the negotiation of public dental health contracts and the distribution of funding for initiatives that include adolescent dental care and relief of pain.

The aim for Abano Dental is to increase patient funded payments to between 85 and 90 percent of revenue, through growth of the private market. This will be achieved by providing patients with quality service, information on treatment options and detailed treatment plans, and targeted marketing of specific services through the patient database.

## MARKET OVERVIEW

The dental sector primarily comprises individual and small group dental practices, owned and managed by practising dentists. The cost of keeping up with modern technology is rising, competition is increasing, and more time is required for administration rather than revenue generating dental treatments. Many dentists are recognising that dentistry is more efficient, cost effective and rewarding if delivered within a well managed corporate structure.

Abano Dental offers dentists and support staff, working environments and career opportunities that are simply not possible in small, fragmented, traditional practices. The combination of superior business systems and professional standards coupled with exciting career pathways and outstanding service to patients make Abano Dental unique in today's rapidly changing dental practice environment.

The range of dental treatments is becoming wider, and Abano Dental has identified several areas where awareness and demand for particular treatments is growing. These include:

- Cosmetic dentistry, including teeth bleaching, cosmetic veneers, crown and bridge work
- Growing number of adolescent patients with high treatment needs due to the negative impact of diet and lifestyle changes
- Increasing need for restoration of teeth for patients in the 'baby boomer' age group, due to a lack of fluoride and extensive work done by dental nurses at school. These clients tend to have heavily filled teeth that require extraction or crowning.

## OUTLOOK

At Abano Dental, we offer significant advantages of size and operational effectiveness over other dental practices. We have high brand awareness and a strong focus on patient care, and we are committed to growing our presence in the New Zealand market. We will continue to respond to changing demand in the marketplace, and to develop according to global best practice.

With the establishment of a strong IT and operational infrastructure, we are now focused on growth through acquisition of existing dental practices and the establishment of new practices in areas where we identify a demand for quality dentistry.

Contributions from Abano Dental in the next year are expected to improve as funds are committed to acquisition and growth for long term gain.



Robin Cooper  
*Acting General Manager*



Gale Wieland  
*National Operations Manager*



Dr Brett Hawkins  
*Clinical Director*

# ABANO DIAGNOSTICS



creating an environment of operational excellence through leadership, retention of skilled staff and business efficiencies

THE BUSINESS	THE MARKET
<ul style="list-style-type: none"> <li>Abano Diagnostics operates two diagnostics businesses - Medical Laboratory Wellington and Nelson Diagnostic Laboratory, which were acquired by Abano Healthcare in January 2002.</li> <li>Medical Laboratory Wellington and Nelson Diagnostic Laboratory provide community laboratory services.</li> <li>Funding of the community laboratories is 94 percent through DHBs and six percent by private payment.</li> <li>In addition to diagnostic testing, the Biostandards division offers environmental health testing, including chemical and micro-biological analyses for food, water, waste water and trade wastes.</li> <li>These businesses employ 204 staff and offer a 24 hour, 7 day service, testing over 1,850 patients every day; and analysing up to 3,000 environmental samples each month.</li> </ul>	<ul style="list-style-type: none"> <li>The total community pathology laboratory market is worth \$190 million per annum and Abano Diagnostics holds 9.5 percent of the market.</li> <li>Community pathology laboratories provide testing services for patients referred by health professionals.</li> </ul>

OUR PERSONNEL	SECTOR	DOCTORS / MEDICAL SPECIALISTS	NURSES	MEDICAL TECHNOLOGISTS & TECHNICAL ASSISTANTS	MANAGERS	OTHER STAFF
	Abano Diagnostics	12	44	88	3	57

FINANCIAL PERFORMANCE	\$ MILLION	1999/2000	2000/2001	2001/2002	2002/2003	2003/2004
	CORE REVENUE	N/A	N/A	6.1	17.9	18.0
EBITDA BEFORE NONCORE/UNUSUALS	N/A	N/A	0.8	1.9	1.8	

## OBJECTIVES FOR 2003/2004

Retain market share in Wellington and Nelson community pathology market.

Continue healthy relationships with the public funding decision makers to ensure that adequate funding for inevitable growth in diagnostic testing can be achieved.

Obtain Meat Industry (MI) accreditation for Biostandards laboratory to enable entry into new areas of food testing.

## RESULTS

- Nelson and Wellington diagnostic sectors have sustained expected testing volumes.

- Relationships with DHB in Nelson and Wellington are co-operative with frequent dialogue on a range of issues concerning the funder and laboratory providers.

- Biostandards achieved MI laboratory accreditation in June 2003.

## ABANO DIAGNOSTICS CONT

### OPERATIONAL PERFORMANCE

Abano Diagnostics continued its stable performance over the year, with revenue of \$18 million, and an Op-EBITDA of \$1.8 million, both consistent with the previous year.

A new management team was established for Medical Laboratory Wellington in early 2004, following the retirement of managing partner, Dr Clint Teague, and Dr Ken Thompson. In addition, Gerry Campbell retired as general manager.

Principal pathologist and forensic pathologist at Medical Laboratory Wellington, Dr Ken Thompson, retired in January 2004. His career and expertise in pathology were highlighted on TV One's Sunday programme in April this year. General manager of Medical Laboratory Wellington, Gerry Campbell, also retired at the end of May 2004. Gerry was previously principal technologist and well recognised in the field of medical laboratory science for his expertise in immunology and his key role in developing the laboratory software system which has delivered significant operational efficiencies to the business.

A new management team is now in place, with former partnership colleagues, Dr Andrew Tie and Dr Peter Bethwaite as joint managing partners, and Keiry Belton appointed as operations manager for Nelson Diagnostic Laboratory and Medical Laboratory Wellington in late May 2004.

### INCOME

Ninety-four percent of our income is derived from DHBs and six percent from private payment. The Government devolved funding to local DHBs in the last year and each DHB now contracts for laboratory services in their regions. The last fee increase was in 1997, although additional tests have been added in the interim, including the funding of cervical screening smears and related histology, which is now provided under a separate cervical screening contract.

### MARKET OVERVIEW

The diagnostics area remains the sole service which is virtually 100 percent funded by the Government, and where there is very little direct consumer contribution. The community laboratory market is worth over \$190 million per annum, with the public hospital-based service about the same size.

Under the new Government funding structure, an emphasis has been placed on involving Primary Health Organisations (PHOs) in the establishment of new protocols for community diagnostic services. As such, the management and principal Pathologists for Abano Diagnostics have been in consultation with DHBs and local PHOs in regards to the provision of diagnostic pathology services.

The main issue being discussed is the potential for rationalisation of services, in both the public and private sectors, while maintaining access for all community General Practitioners who use our services. This discussion is now underway with DHBs in provincial regions and the main centres.

Although the actual number of laboratories within the market has remained the same, there is an increasing trend towards grouping of laboratories into fewer and larger commercial partnerships. Three major groups serve the community laboratory market and Abano Diagnostics holds 9.5 percent of this total market.

Competition is increasing both nationally and internationally for key trained staff, especially pathologists and cytotechnologists. Our Diagnostics sector plays an important role in the training of such staff through placements for registrars and students, but still faces the need to recruit from the international market.

## OUTLOOK

The ageing population is placing an increasing demand on the community laboratory market, proving a direct correlation between laboratory use and age. As the population of over 65 year olds continues to grow, demand for diagnostic services will accelerate.

The expectation for early and precise diagnosis is placing an increasing demand on the community laboratory market. As improved testing modalities grow, demand for diagnostic services will accelerate.

We are also exploring new areas of testing with our increased capabilities in the growing field of Molecular Biology, and expanding our private sector work through our environmental testing laboratory, Biostandards.



Dr Andy Tie  
*Managing Partner*



Dr Peter Bethwaite  
*Managing Partner*

# ABANO REHABILITATION



to maximise new opportunities and growth within the national rehabilitation sector

THE BUSINESS	THE MARKET
<ul style="list-style-type: none"> <li>Abano Rehabilitation consists of three brands – Ranworth Healthcare which was acquired in 2001; and Burtons Healthcare and Health Partners which were acquired in July 2003.</li> <li>Abano Rehabilitation focuses on the rehabilitation and treatment of clients with brain injury or spinal injury, enabling people to become as independent as possible.</li> <li>Injury assessment, residential and community care are offered by the businesses.</li> <li>More than 250 employees are employed across ten residential facilities centres and nine community centres within New Zealand.</li> </ul>	<ul style="list-style-type: none"> <li>Assessment and treatment of brain and spinal injuries is a specialist area.</li> <li>In the year ending 31 March 2004, ACC spent \$128 million on serious injury claims.</li> <li>Of these, 48 percent had brain injuries (from mild to serious) and 45 percent had spinal injuries (including incomplete spinal injuries).</li> </ul>

OUR FACILITIES			FULL TIME EMPLOYEE EQUIVALENT	BEDS	RESIDENT CLIENTS	OCCUPANCY % 31/05/04
	<b>RESIDENTIAL FACILITIES</b>					
Castelmore	Whangarei		8	7	7	90
Pinotage No 9	Auckland					
Pinotage No 26	Auckland		11	10	10	97
The Highway	Auckland		9	8	8	100
Poutama Lodge	Auckland		8	8	8	100
Dey Street	Hamilton		26	18	8	39
Bridge Home	Gisborne		14	14	12	86
Gladstone	Gisborne		11	10	10	100
Kauri House	Hastings		11	9	8	89
Russell Homestead	P'ston North		11	8	6	76
<b>Total</b>			<b>110</b>	<b>96</b>	<b>82</b>	<b>85</b>
<b>COMMUNITY FACILITIES</b>						
	Auckland		20			
	Hamilton		8.5			
	Tauranga		4			
	Hastings		2			
	Gisbourne		5			
	P'ston North		1.6			
	Whangarei		14			
	Christchurch		5			
	Dunedin		4			
<b>Total</b>			<b>64.1</b>			

FINANCIAL PERFORMANCE	\$ MILLION	1999/2000	2000/2001	2001/2002	2002/2003	2003/2004
	CORE REVENUE		N/A	10.8	10.7	12.4
EBITDA BEFORE NONCORE/UNUSUALS		N/A	0.7	0.7	2.1	1.5

**OBJECTIVES FOR 2003/2004****RESULTS**

To increase revenue growth through new initiatives, stronger occupancy levels and streamlining existing operations.

- Developed and implemented plan and processes for addressing operational efficiency, reducing operating costs and maximising synergies across the Rehabilitation sector.
- Worked closely with ACC to ensure adequate levels of funding.

Expand the Abano Rehabilitation network through new services and purchaser contracts, including the concussion clinic.

- Increased operations through a pilot pain management contract, the mild traumatic brain injury contract, clinical psychology contract, neuropsychology contract and the extensive vocational contract.
- Developed partnerships with other key agencies.

Improve Abano Rehabilitation organisational capabilities.

- Implementation of IT applications, merger of payroll and financial systems, closer working relationships with purchasers and more timely internal communication.
- Merged three facilities - Hamilton, Auckland, Whangarei community teams - and Support Office functions of the three businesses.

## ABANO REHABILITATION CONT

### OPERATIONAL PERFORMANCE

Abano Rehabilitation expanded in July 2003, with the acquisitions of Burtons Healthcare and Health Partners. The community rehabilitation and injury assessment businesses complemented Ranworth Healthcare's leading position in the market, and Abano Rehabilitation is now a major provider of treatment for serious brain injury or spinal injury in New Zealand.

The focus for the past year has been on restructuring and streamlining operations, with a new management structure in place and the subsequent development of internal synergies between the three businesses. In addition, new IT functionality has been implemented to monitor client contracts and ensure we are offering an appropriate level of clinical service for clients under new ACC rehabilitation contracts. As a result, revenue for the financial year was up 16 percent to \$14.4 million, however, Op-EBITDA was down to \$1.5 million from \$2.1 million, a record high in the previous year.

A new management team was introduced, with Karen Schneller, previously founder and director of Burtons and Health Partners, as general manager and Juliet Harper as national operations manager.

Operations across the sector have been increased in some regions, by leveraging rehabilitation contracts held by Burtons and Health Partners. We have developed a strong working relationship with Workbridge, which has opened many opportunities and further contracts in the area of vocational rehabilitation.

Although the concussion clinic has not started operations in the South Island as yet, we have been successful in extending this contact nationally and have entered subcontract negotiations with key medical specialists.

Organisational capabilities have been improved with the development and implementation of a new billing and scheduling function across the group; the merger of the support functions of the three businesses; and the merger of three sites across the country.

A strong focus has been placed on internal training and quality, and a new quality advisor and legal & compliance advisor was appointed in February 2004. The business is working towards ISO and other industry quality certifications, with the process expected to be completed by September 2004.

### INCOME

We derive approximately 90 percent of our funding from ACC with up to eight percent from MOH, and a small percentage from private referrals and other agencies.

### MARKET OVERVIEW

Abano Rehabilitation primarily provides assessment and rehabilitation for people suffering serious brain injury or spinal injury. In addition, we now have a number of contracts to provide other services and treatment in areas that have been developed and implemented based on the skill and expertise of many of our key staff.

The rehabilitation market consists of a number of small regional providers and independent practitioners, who

may employ one group of professionals or hold one purchaser contract. These smaller businesses generally hold less than five percent market share in any given region.

Abano Rehabilitation is now one of the largest rehabilitation providers nationally and holds residential as well as community assessment and rehabilitation contracts on a national level. We are also one of the largest employers of occupational therapists outside the public health sector and the largest multidisciplinary team of permanent employees.

This year saw a significant change in ACC's and the MOH's pricing structure and approach to active rehabilitation. There was a significant push towards residential support and a lower pricing model, resulting in the emergence of a national trend which could have placed the organisation and its potential for growth at risk. In the early part of 2004, management worked closely with ACC to remedy this situation and to ensure Abano Rehabilitation is operating to the level of funding secured.

## OUTLOOK

With the expanded services on offer at Abano Rehabilitation, there is a growing opportunity to secure an extended number of contracts for a wider range of services and treatment.

The ACC is looking towards early intervention models of treatment to reduce long term risks for claimants, such as the new pilot pain management service currently underway in our Bay of Plenty facility, which offers the potential to be rolled out nationally.

Burttons Healthcare has been contracting vocational services with ACC and through a partnership with Workbridge, and there is an opportunity to extend this through the Ministry of Social Development as the Ministry focuses on return to work, retraining schemes and vocational initiatives. In Ranworth residential, the provision of day service programmes will be a focus as ACC has identified an increase in demand for these services.

There are a number of business opportunities that Abano Rehabilitation is scoping, including residential rehabilitation with a multidisciplinary focus for private clients from overseas, and developing a collaborative working relationship with the University of Auckland, Faculty of Medical and Health Sciences.

The focus for the 2004/05 financial year will be on expanding the level of service offered by Abano Rehabilitation and negotiating new contracts with ACC, MOH and other funding bodies. The business has a positive future and revenues are expected to improve as potential opportunities are turned into secured contracts.



Karen Schneller  
General Manager -  
Abano Rehabilitation



Juliet Harper  
National Operations Manager